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Message Text

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42
ORIGIN COME-00

INFO OCT-01 EA-06 ISO-00 EB-07 SP-02 CIAE-00 INR-07

NSAE-00 L-02 EUR-12 OMB-01 TRSE-00 XMB-02 OPIC-03

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COM/BIC/OED/MEPD/CATKINS
COM/BIC/OED/MEPD/JMSANDS, DIR.
COM/BIC/OIM/VWEBBERT (INFO)
STATE/EA/IMS/ADORNHEIM (PHONE)
---------- 111258
R 112356Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 083951

E.O. 11652: GDS
TAGS: BEXP, ID
SUBJECT: KRAKATAU STEEL MILL CONSTRUCTION

REF: A) JAKARTA 3837, B) JAKARTA 2495, C) STATE 038308
--- D) JAKARTA 1778

1. WE WERE INTERESTED TO LEARN THAT GOI IS RE-
APPRAISING KRAKATAU PROJECT. THIS IMPLIES TO US
THAT GOI/PERTAMINA MAY BE HAVING PROBLEMS CARRYING OUT
PROGRAM UNDER GERMAN SPECIFICATIONS AND MANAGEMENT.
INDEED, THIS IS NOT UNUSUAL IN VIEW OF THE GERMANS
GENERAL REPUTATION IN OVER-STRUCTURING PROJECTS.

PERHAPS THE GOI IS NOW READY TO RESTRUCTURE THE PROJECT
ALONG THE LINES OF A RATIONALIZED MORE NORMAL APPROACH
WHICH COULD, AS EMBASSY POINTED OUT, LEAD TO NEW
OPENINGS FOR U.S. PARTICIPATION IN THE EXPANSION.
OF PARTICULAR INTEREST WAS EMBASSY'S STATEMENT THAT
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THIS COULD OPEN THE DOOR FOR GOI CONSIDERATION OF

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KAISER ENGINEER AND USSEC INVOLVEMENT.

2. WE HAVE DISCUSSED SUBSTANCE REF A WITH INTERESTED U.S. FIRMS AS PART OF OUR EFFORT TO DEVELOP A STRATEGY

WHICH WILL CAPITALIZE ON THE NEW DEVELOPMENTS. UNFORTUNATELY WE DO NOT HAVE A CLEAR PICTURE AS TO WHAT THE EMBASSY PLANS TO DO GIVEN THE NEW CIRCUMSTANCES. THIS PUTS US IN AN AWKWARD POSITION WHERE WE CANNOT BE TOTALLY EFFECTIVE IN SUPPORTING AND ENCOURAGING U.S. COMPANIES TO PARTICIPATE. TO HAVE A MAXIMUM IMPACT WITH GOI/KRAKATAU WE BELIEVE A COORDINATED USG PROGRAM MUST EXIST. TO MAKE CERTAIN WE HAVE A CLEAR UNDERSTANDING OF EMBASSY'S ACTION PLAN WE WOULD APPRECIATE YOUR ANALYSIS OF THE PROJECT AS SOON AS POSSIBLE.

3. IN OUR OPINION THE USG STRATEGY SHOULD BE TO ENCOURAGE THE GOI TO UNDERTAKE A COMPLETELY NEW LOOK AT THEIR LONG-RANGE OBJECTIVES AND THE VARIOUS ALTERNATES FOR ACHIEVING THEM THRU SELECTION OF A U.S. COMPANY AS ENGINEER-ARCHITECT OR PROJECT MANAGER FOR THE PROGRAM. THE CHINA STEEL CASE IS AN EXCELLENT EXAMPLE OF HOW A U.S. PROJECT MANAGER WAS ABLE TO TURN AROUND A PROJECT BESET WITH DIFFICULTIES. USING THIS EXAMPLE EMBASSY SHOULD BE IN AN EXCELLENT POSITION TO INFLUENCE THE GOI TO FOCUS ON A RATIONAL-IZED APPROACH. IN TURN WE WILL CONTINUE TO WORK CLOSELY WITH THE INTERESTED U.S. FIRMS IN AN EFFORT TO DEVELOP AND ENCOURAGE MARKETING STRATEGIES WHICH WILL, AT THE OPPORTUNE MOMENT, RESPOND TO THE NEEDS OF THE GOI FOR THE KRAKATAU PROGRAM. WE WOULD APPRECIATE ANY INSIGHT THE EMBASSY MAY HAVE REGARDING THE USG'S APPROACH.
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